

INFORMATION REPORT INFORMATION REPORT

CENTRAL INTELLIGENCE AGENCY

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1. The new Main Administration for Air, the so-called "HV Luft"¹ in the East German Ministry of Heavy Machine Construction does not appear on the Ministry's organizational charts but its existence appears to be known to employees of the other Main Administrations. Various enterprises, particularly the Konstruktionsbuero Halle, have complained that their engineers and other employees have been lured away to the new Main Administration with doubled salaries. This recruiting for the new Main Administration allegedly began in April/May 1955. HV Luft is apparently located in East Berlin on Rosenstrasse in the vicinity of Neuer Markt. It apparently is engaged in supervising existing aircraft production facilities and in the construction of new facilities as well as in aircraft testing and so forth. It could eventually develop into a Ministry of Air. It is not believed to be under the direct supervision of Minister of Heavy Machine Construction Erich Apel, but rather to be a special authority using the Ministry only for cover purposes.
2. Goods production (Warenproduktion) under the Main Administration for Power and Production Machines is planned at about 800,000 DME for 1955. Production is both Ministries (Heavy and General Machine Construction) would amount to about 15,000,000 DME for the year. Goods production for 1956 is planned at a level 14% higher than that of 1955. As of 31 August 1955, the Main Administration had fulfilled its plan by 105%. It was however suffering from a shortage of orders; only 51% of the necessary orders for 1956 are ~~on hand~~.
3. The stocks on hand in excess of plan in the 68 enterprises under the Main Administration for Power and Production Machines were, as of 31 August 1955, valued at about 47,000,000 DME. Estimated roughly, stocks valued at 3,000,000 DME at least will be unsaleable. The present plan of liquidating these excess stocks by the end of 1955 will therefore result in considerable losses. In addition, production is to be increased during

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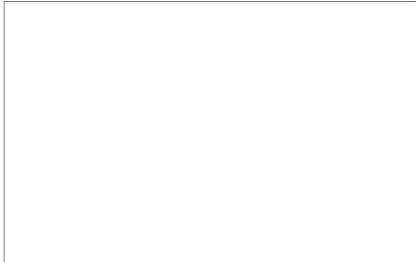
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the remainder of the year and this production program can be realized only through progressively increased costs (Kostenprogression). This will increase the losses even more. As of 31 August 1955, the financial yield was 7,000,000 DME below the planned level.

4. The Main Administration for Power and Production Machines is experiencing serious difficulties with respect to material procurement. Supplies from western countries are arriving only very slowly, and pipe, in particular, is not being supplied.

 Comment: Identical with the Main Administration for Industrial Requirements (Hauptverwaltung fuer Industriebedarf), which has been mentioned in numerous reports.

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